

**Summary of Testimony by Alan Yordy,**

**FILED**

**President of PeaceHealth Networks and PeaceHealth**

2014 JUL 30 A 9:10

I am the President of PeaceHealth and PeaceHealth Networks, both of which are Washington State non-profit corporations. PeaceHealth and PeaceHealth Networks are qualified as tax-exempt (501c3) corporations under the Internal Revenue Code. PeaceHealth Networks is the member corporation of PeaceHealth. In other words, PeaceHealth Networks is the parent or holding company of PeaceHealth, which is the subsidiary. (Since non-profit corporations do not have stock, the law uses the concept of a member corporation, which is analogous to a for-profit parent corporation that would control the stock in a subsidiary corporation.) PeaceHealth provides healthcare services through the operation of hospitals, physician clinics and related operations in the states of Alaska, Washington and Oregon.

PeaceHealth Networks was formerly known as Southwest Washington Health System ("SWHS") and it has for many years held most of the stock (varying from 88% to 92%) in Columbia United Providers ("CUP"). On January 1, 2010, SWHS affiliated with PeaceHealth by changing its articles and bylaws to make PeaceHealth the member corporation of SWHS and giving PeaceHealth reserved powers over SWHS. During that time from January 1, 2010 through January 1, 2014, PeaceHealth was careful to never exercise its reserved powers over SWHS in a way that would influence how SWHS dealt with Columbia United Providers through its ownership of stock? PeaceHealth did this in order to abide by an amendment to its Affiliation Agreement with SWHS, which specifically required that PeaceHealth not exercise any such influence.

The corporate structure between the two corporations was reversed as of January 1, 2014 so that SWHS became the member corporation of PeaceHealth. Shortly thereafter SWHS also changed its name to PeaceHealth Networks. These changes were made in order to enhance the ability to affiliate with non-Catholic healthcare organizations because PeaceHealth is religiously sponsored by the Roman Catholic Church but PeaceHealth Networks is not. Because of the evolving changes in healthcare, it appears likely that there will need to be future affiliations among healthcare organizations. In the Northwest, many of the potential healthcare affiliation partners are non-Catholic and have concern about direct affiliation with a Catholic healthcare corporation because of certain religious restrictions concerning the provision of women's healthcare. By making PeaceHealth Networks the holding corporation, it became possible for other healthcare companies to affiliate under a non-Catholic parent corporation.

Since January 1, 2014, PeaceHealth Networks has held two assets: (1) its membership interest in PeaceHealth and (2) its ownership of approximately 92% of the stock in Columbia United Providers. Since January 1, 2014, PeaceHealth has no longer has any rights of control over PeaceHealth Networks. Rather, it has been PeaceHealth Networks (formerly known as SWHS) that is in control of PeaceHealth.

After the change of control of control that occurred on January 1, 2014 the domestic insurer, CUP, should be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed because there is no longer any change of control due to the affiliation in 2010. In other words, PeaceHealth Networks is no longer subject to control by PeaceHealth.

Neither PeaceHealth nor PeaceHealth Networks owns or controls any other health care insurers so there should be no effect that would substantially lessen competition or to tend to create a monopoly in Washington State.

The financial condition of the acquiring party, PeaceHealth Networks, is such that it will not jeopardize the financial stability of the insurer or prejudice the interest of its policyholders because PeaceHealth Networks has many more assets now that it is the member corporation of PeaceHealth than it did prior to the original affiliation with PeaceHealth. SWHS had far fewer assets than PeaceHealth Networks now has.

PeaceHealth Networks does not have plans or proposals to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management that would be unfair and unreasonable to the policyholders of the insurer or not in the public interest.

PeaceHealth Networks has experienced officers and board members with a long history of competence, experience and integrity so the competence, experience, and integrity of those persons who would control the operation of the insurer is such that it would not be of interest to the policyholders of the insurer or to the public to permit the merger or other acquisition of control.

The acquisition is not likely to be hazardous or prejudicial to the insurance buying public. There are no current plans to change the operations of CUP so these should not be risks.